

# House Amendment 8389

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1 1 Amend the House amendment, H=8365, to Senate File
1 2 2298, as amended, passed, and reprinted by the Senate,
1 3 as follows:
1 4 #1. Page 1, by inserting after line 10 the
1 5 following:
1 6 <#____. Page 49, by striking lines 1 through 18 and
1 7 inserting the following:
1 8 <..... $147,582,047
1 9 The funds appropriated in this subsection shall be
1 10 allocated as follows:
1 11 a. Merged Area I ..... $ 7,193,209
1 12 b. Merged Area II ..... $ 8,136,366
1 13 c. Merged Area III ..... $ 7,600,107
1 14 d. Merged Area IV ..... $ 3,670,204
1 15 e. Merged Area V ..... $ 8,015,816
1 16 f. Merged Area VI ..... $ 7,142,277
1 17 g. Merged Area VII ..... $ 10,530,666
1 18 h. Merged Area IX ..... $ 13,020,106
1 19 i. Merged Area X ..... $ 20,883,389
1 20 j. Merged Area XI ..... $ 21,903,444
1 21 k. Merged Area XII ..... $ 8,609,947
1 22 l. Merged Area XIII ..... $ 8,743,547
1 23 m. Merged Area XIV ..... $ 3,744,512
1 24 n. Merged Area XV ..... $ 11,726,862
1 25 o. Merged Area XVI ..... $ 6,661,595>>
1 26 #2. Page 1, by inserting before line 11 the
1 27 following:
1 28 <#____. By striking page 52, line 2, through page
1 29 60, line 9, and inserting the following: 1 30 and for not more than the following
full=time
1 31 equivalent positions:
1 32 ..... $ 1,190,152
1 33 ..... FTEs 16.00
1 34 b. For allocation by the state board of regents to
1 35 the state university of Iowa, the Iowa state
1 36 university of science and technology, and the
1 37 university of northern Iowa to reimburse the
1 38 institutions for deficiencies in their operating funds
1 39 resulting from the pledging of tuitions, student fees
1 40 and charges, and institutional income to finance the
1 41 cost of providing academic and administrative
1 42 buildings and facilities and utility services at the
1 43 institutions:
1 44 ..... $ 12,701,278
1 45 Notwithstanding section 8.33, funds appropriated
1 46 for purposes of this lettered paragraph that remain
1 47 unencumbered or unobligated on June 30, 2005, shall
1 48 not revert to the general fund of the state, but shall
1 49 be available for expenditure for the following fiscal
1 50 year for purposes specified in this lettered
2 1 paragraph.
2 2 c. For funds to be allocated to the southwest Iowa
2 3 graduate studies center:
2 4 ..... $ 108,673
2 5 d. For funds to be allocated to the siouxland
2 6 interstate metropolitan planning council for the
2 7 tristate graduate center under section 262.9,
2 8 subsection 21:
2 9 ..... $ 79,940
2 10 e. For funds to be allocated to the quad=cities
2 11 graduate studies center:
2 12 ..... $ 161,173
2 13 2. STATE UNIVERSITY OF IOWA
2 14 a. General university, including lakeside
2 15 laboratory
2 16 For salaries, support, maintenance, equipment, and
2 17 miscellaneous purposes, and for not more than the
2 18 following full=time equivalent positions:
2 19 ..... $276,520,093
2 20 ..... FTEs 4,055.62
2 21 b. University hospitals
2 22 For salaries, support, maintenance, equipment, and
2 23 miscellaneous purposes and for medical and surgical
2 24 treatment of indigent patients as provided in chapter
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2	25	255, and for medical education, and for not more than	
2	26	the following full-time equivalent positions:	
2	27	.....	\$ 27,984,189
2	28	..... FTEs	5,471.01
2	29	c. Psychiatric hospital	
2	30	For salaries, support, maintenance, equipment,	
2	31	miscellaneous purposes, and for the care, treatment,	
2	32	and maintenance of committed and voluntary public	
2	33	patients, and for not more than the following full-	
2	34	time equivalent positions:	
2	35	.....	\$ 7,223,647
2	36	..... FTEs	272.11
2	37	d. Center for disabilities and development	
2	38	For salaries, support, maintenance, and	
2	39	miscellaneous purposes, and for not more than the	
2	40	following full-time equivalent positions:	
2	41	.....	\$ 6,526,426
2	42	..... FTEs	143.34
2	43	e. Oakdale campus	
2	44	For salaries, support, maintenance, and	
2	45	miscellaneous purposes, and for not more than the	
2	46	following full-time equivalent positions:	
2	47	.....	\$ 2,725,472
2	48	..... FTEs	43.25
2	49	f. State hygienic laboratory	
2	50	For salaries, support, maintenance, and	
3	1	miscellaneous purposes and for not more than the	
3	2	following full-time equivalent positions:	
3	3	.....	\$ 3,900,021
3	4	..... FTEs	102.49
3	5	g. Family practice program	
3	6	For allocation by the dean of the college of	
3	7	medicine, with approval of the advisory board, to	
3	8	qualified participants, to carry out chapter 148D for	
3	9	the family practice program, including salaries and	
3	10	support, and for not more than the following full-time	
3	11	equivalent positions:	
3	12	.....	\$ 2,129,177
3	13	..... FTEs	192.40
3	14	h. Child health care services	
3	15	For specialized child health care services,	
3	16	including childhood cancer diagnostic and treatment	
3	17	network programs, rural comprehensive care for	
3	18	hemophilia patients, and the Iowa high-risk infant	
3	19	follow-up program, including salaries and support, and	
3	20	for not more than the following full-time equivalent	
3	21	positions:	
3	22	.....	\$ 665,709
3	23	..... FTEs	53.46
3	24	i. Statewide cancer registry	
3	25	For the statewide cancer registry, and for not more	
3	26	than the following full-time equivalent positions:	
3	27	.....	\$ 183,322
3	28	..... FTEs	2.40
3	29	j. Substance abuse consortium	
3	30	For funds to be allocated to the Iowa consortium	
3	31	for substance abuse research and evaluation, and for	
3	32	not more than the following full-time equivalent	
3	33	positions:	
3	34	.....	\$ 66,534
3	35	..... FTEs	1.50
3	36	k. Center for biocatalysis	
3	37	For the center for biocatalysis, and for not more	
3	38	than the following full-time equivalent positions:	
3	39	.....	\$ 903,984
3	40	..... FTEs	5.20
3	41	l. Primary health care initiative	
3	42	For the primary health care initiative in the	
3	43	college of medicine, and for not more than the	
3	44	following full-time equivalent positions:	
3	45	.....	\$ 779,359
3	46	..... FTEs	7.75
3	47	m. Birth defects registry	
3	48	For the birth defects registry, and for not more	
3	49	than the following full-time equivalent positions:	
3	50	.....	\$ 45,781
4	1	..... FTEs	1.30
4	2	3. IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY	
4	3	a. General university	
4	4	For salaries, support, maintenance, equipment, and	
4	5	miscellaneous purposes, and for not more than the	

4 6 following full=time equivalent positions:  
 4 7 ..... \$217,686,641  
 4 8 ..... FTEs 3,647.42  
 4 9 b. Agricultural experiment station  
 4 10 For salaries, support, maintenance, and  
 4 11 miscellaneous purposes, and for not more than the  
 4 12 following full=time equivalent positions:  
 4 13 ..... \$ 31,814,892  
 4 14 ..... FTEs 546.98  
 4 15 c. Cooperative extension service in agriculture  
 4 16 and home economics  
 4 17 For salaries, support, maintenance, and  
 4 18 miscellaneous purposes, and for not more than the  
 4 19 following full=time equivalent positions:  
 4 20 ..... \$ 20,244,546  
 4 21 ..... FTEs 383.34  
 4 22 d. Leopold center  
 4 23 For agricultural research grants at Iowa state  
 4 24 university under section 266.39B, and for not more  
 4 25 than the following full=time equivalent positions:  
 4 26 ..... \$ 476,225  
 4 27 ..... FTEs 11.25  
 4 28 e. Livestock disease research  
 4 29 For deposit in and the use of the livestock disease  
 4 30 research fund under section 267.8:  
 4 31 ..... \$ 226,367  
 4 32 4. UNIVERSITY OF NORTHERN IOWA  
 4 33 a. General university  
 4 34 For salaries, support, maintenance, equipment, and  
 4 35 miscellaneous purposes, and for not more than the  
 4 36 following full=time equivalent positions:  
 4 37 ..... \$ 97,950,925  
 4 38 ..... FTEs 1,398.01  
 4 39 b. Recycling and reuse center  
 4 40 For purposes of the recycling and reuse center, and  
 4 41 for not more than the following full=time equivalent  
 4 42 positions:  
 4 43 ..... \$ 217,290  
 4 44 ..... FTEs 3.00  
 4 45 5. STATE SCHOOL FOR THE DEAF  
 4 46 For salaries, support, maintenance, and  
 4 47 miscellaneous purposes, and for not more than the  
 4 48 following full=time equivalent positions:  
 4 49 ..... \$ 10,132,297  
 4 50 ..... FTEs 126.60  
 5 1 6. IOWA BRAILLE AND SIGHT SAVING SCHOOL  
 5 2 For salaries, support, maintenance, and  
 5 3 miscellaneous purposes, and for not more than the  
 5 4 following full=time equivalent positions:  
 5 5 ..... \$ 5,669,244  
 5 6 ..... FTEs 81.00  
 5 7 7. TUITION AND TRANSPORTATION COSTS  
 5 8 For payment to local school boards for the tuition  
 5 9 and transportation costs of students residing in the  
 5 10 Iowa braille and sight saving school and the state  
 5 11 school for the deaf pursuant to section 262.43 and for  
 5 12 payment of certain clothing, prescription, and  
 5 13 transportation costs for students at these schools  
 5 14 pursuant to section 270.5:  
 5 15 ..... \$ 7,500>>  
 5 16 #3. Page 1, by inserting after line 22 the  
 5 17 following:  
 5 18 <#\_\_\_\_. Page 64, by striking lines 28 through 32  
 5 19 and inserting the following:  
 5 20 <1. There is appropriated from the general fund of  
 5 21 the state to the commission for each fiscal year the  
 5 22 sum of ~~forty=six~~ ~~forty=eight~~ million ~~four eigh~~  
 5 23 ~~hundred seventeen~~ ~~thirty thousand nine hundred sixty=~~  
 5 24 ~~four seventy=~~ five dollars for>.>  
 5 25 #4. Page 1, by inserting after line 46 the  
 5 26 following:  
 5 27 <#\_\_\_\_. Page 65, by inserting after line 28 the  
 5 28 following:  
 5 29 \_\_\_\_\_. Section 279.51, subsection 1,  
 5 30 unnumbered paragraph 1, Code 2003, is amended to read  
 5 31 as follows:  
 5 32 There is appropriated from the general fund of the  
 5 33 state to the department of education for the fiscal  
 5 34 year beginning July 1, 2000, and each succeeding  
 5 35 fiscal year, the sum of ~~twelve~~ ~~fourteen~~ million five  
 5 36 hundred sixty thousand dollars.

5 37 Sec. \_\_\_\_\_. Section 279.51, subsection 1, paragraph  
5 38 b, Code 2003, is amended to read as follows:  
5 39 b. For the fiscal year beginning July 1, 1998, and  
5 40 for each succeeding fiscal year, ~~eight ten~~ million  
5 41 five hundred ten thousand dollars of the funds  
5 42 appropriated shall be allocated to the child  
5 43 development coordinating council established in  
5 44 chapter 256A for the purposes set out in subsection 2  
5 45 of this section and section 256A.3.>>  
5 46 #5. Page 2, by inserting after line 34 the  
5 47 following:  
5 48 <#\_\_\_\_\_. By striking page 183, line 32 through page  
5 49 184, line 9, and inserting the following:  
5 50 \_\_\_\_\_. Section 257.8, subsection 1, Code  
6 1 Supplement 2003, is amended to read as follows:  
6 2 1. STATE PERCENT OF GROWTH. The state percent of  
6 3 growth for the budget year beginning July 1, 2003, is  
6 4 two percent. The state percent of growth for the  
6 5 budget year beginning July 1, 2004, is ~~two six~~  
6 6 percent. The state percent of growth for each  
6 7 subsequent budget year shall be established by statute  
6 8 which shall be enacted within thirty days of the  
6 9 submission in the year preceding the base year of the  
6 10 governor's budget under section 8.21. The  
6 11 establishment of the state percent of growth for a  
6 12 budget year shall be the only subject matter of the  
6 13 bill which enacts the state percent of growth for a  
6 14 budget year.>>  
6 15 #6. Page 2, by striking lines 35 through 37 and  
6 16 inserting the following:  
6 17 <#\_\_\_\_\_. By striking page 184, line 19, through page  
6 18 185, line 31, and inserting the following:  
6 19 \_\_\_\_\_. Section 257.35, subsection 2, Code  
6 20 Supplement 2003, is amended by striking the  
6 21 subsection.>>  
6 22 #7. Page 7, by striking lines 47 and 48 and  
6 23 inserting the following:  
6 24 <#\_\_\_\_\_. Page 204, by striking lines 18 and 19, and  
6 25 inserting the following:  
6 26 <1. The section of this division of this Act  
6 27 amending section 257.8 is applicable for>.>  
6 28 #8. Page 8, by inserting after line 5 the  
6 29 following:  
6 30 <#\_\_\_\_\_. Page 205, by inserting after line 21 the  
6 31 following:  
6 32  
6 33 INCOME TAX  
6 34 Sec. \_\_\_\_\_. Section 422.5, subsection 1, paragraphs  
6 35 a through i, Code Supplement 2003, are amended to read  
6 36 as follows:  
6 37 a. On all taxable income from zero through one  
6 38 thousand dollars, ~~thirty-six hundredths~~ four-tenths of  
6 39 one percent.  
6 40 b. On all taxable income exceeding one thousand  
6 41 dollars but not exceeding two thousand dollars,  
6 42 ~~seventy-two hundredths~~ eight-tenths of one percent.  
6 43 c. On all taxable income exceeding two thousand  
6 44 dollars but not exceeding four thousand dollars, two  
6 45 and ~~forty-three hundredths~~ seven-tenths percent.  
6 46 d. On all taxable income exceeding four thousand  
6 47 dollars but not exceeding nine thousand dollars, ~~four~~  
6 48 ~~and one-half~~ five percent.  
6 49 e. On all taxable income exceeding nine thousand  
6 50 dollars but not exceeding fifteen thousand dollars,  
7 1 six and ~~twelve hundredths~~ eight-tenths percent.  
7 2 f. On all taxable income exceeding fifteen  
7 3 thousand dollars but not exceeding twenty thousand  
7 4 dollars, ~~six and forty-eight hundredths~~ seven and two=  
7 5 tenths percent.  
7 6 g. On all taxable income exceeding twenty thousand  
7 7 dollars but not exceeding thirty thousand dollars, ~~six~~  
7 8 ~~and eight-tenths~~ seven and fifty-five hundredths  
7 9 percent.  
7 10 h. On all taxable income exceeding thirty thousand  
7 11 dollars but not exceeding forty-five thousand dollars,  
7 12 ~~seven and ninety-two hundredths~~ eight and eight-tenths  
7 13 percent.  
7 14 i. On all taxable income exceeding forty-five  
7 15 thousand dollars, ~~eight nine~~ and ninety-eight  
7 16 hundredths percent.  
7 17 Sec. \_\_\_\_\_. Section 422.5, subsection 1, paragraph

7 18 j, Code Supplement 2003, is amended to read as  
7 19 follows:

7 20 j. ~~(1)~~ The tax imposed upon the taxable income of  
7 21 a nonresident shall be computed by reducing the amount  
7 22 determined pursuant to paragraphs "a" through "i" by  
7 23 the amounts of nonrefundable credits under this  
7 24 division and by multiplying this resulting amount by a  
7 25 fraction of which the nonresident's net income  
7 26 allocated to Iowa, as determined in section 422.8,  
7 27 subsection 2, ~~paragraph "a"~~, is the numerator and the  
7 28 nonresident's total net income computed under section  
7 29 422.7 is the denominator. This provision also applies  
7 30 to individuals who are residents of Iowa for less than  
7 31 the entire tax year.

~~7 32 (2) The tax imposed upon the taxable income of a  
7 33 resident shareholder in an S corporation which has in  
7 34 effect for the tax year an election under subchapter S  
7 35 of the Internal Revenue Code and carries on business  
7 36 within and without the state may be computed by  
7 37 reducing the amount determined pursuant to paragraphs  
7 38 "a" through "i" by the amounts of nonrefundable  
7 39 credits under this division and by multiplying this  
7 40 resulting amount by a fraction of which the resident's  
7 41 net income allocated to Iowa, as determined in section  
7 42 422.8, subsection 2, paragraph "b", is the numerator  
7 43 and the resident's total net income computed under  
7 44 section 422.7 is the denominator. If a resident  
7 45 shareholder has elected to take advantage of this  
7 46 subparagraph, and for the next tax year elects not to  
7 47 take advantage of this subparagraph, the resident  
7 48 shareholder shall not reelect to take advantage of  
7 49 this subparagraph for the three tax years immediately  
7 50 following the first tax year for which the shareholder  
8 1 elected not to take advantage of this subparagraph,  
8 2 unless the director consents to the reelection. This  
8 3 subparagraph also applies to individuals who are  
8 4 residents of Iowa for less than the entire tax year.~~

~~8 5 This subparagraph shall not affect the amount of  
8 6 the taxpayer's checkoff to the Iowa election campaign  
8 7 fund under section 68A.601, the checkoff for the fish  
8 8 and game fund in section 456A.16, the credits from tax  
8 9 provided in sections 422.10, 422.11A, and 422.12 and  
8 10 the allocation of these credits between spouses if the  
8 11 taxpayers filed separate returns or separately on  
8 12 combined returns.~~

8 13 Sec. \_\_\_\_\_. Section 422.5, subsection 1, paragraph  
8 14 k, unnumbered paragraph 4, Code Supplement 2003, is  
8 15 amended to read as follows:

8 16 In the case of a resident, including a resident  
8 17 estate or trust, the state's apportioned share of the  
8 18 state alternative minimum tax is one hundred percent  
8 19 of the state alternative minimum tax computed in this  
8 20 subsection. In the case of ~~a resident or part-year~~  
~~8 21 resident shareholder in an S corporation which has in~~  
~~8 22 effect for the tax year an election under subchapter S~~  
~~8 23 of the Internal Revenue Code and carries on business~~  
~~8 24 within and without the state,~~ a nonresident, including  
8 25 a nonresident estate or trust, or an individual,  
8 26 estate, or trust that is domiciled in the state for  
8 27 less than the entire tax year, the state's apportioned  
8 28 share of the state alternative minimum tax is the  
8 29 amount of tax computed under this subsection, reduced  
8 30 by the applicable credits in sections 422.10 through  
8 31 422.12 and this result multiplied by a fraction with a  
8 32 numerator of the sum of state net income allocated to  
8 33 Iowa as determined in section 422.8, subsection 2,  
8 34 ~~paragraph "a" or "b" as applicable,~~ plus tax  
8 35 preference items, adjustments, and losses under  
8 36 subparagraph (1) attributable to Iowa and with a  
8 37 denominator of the sum of total net income computed  
8 38 under section 422.7 plus all tax preference items,  
8 39 adjustments, and losses under subparagraph (1). In  
8 40 computing this fraction, those items excludable under  
8 41 subparagraph (1) shall not be used in computing the  
8 42 tax preference items. Married taxpayers electing to  
8 43 file separate returns or separately on a combined  
8 44 return must allocate the minimum tax computed in this  
8 45 subsection in the proportion that each spouse's  
8 46 respective preference items, adjustments, and losses  
8 47 under subparagraph (1) bear to the combined preference  
8 48 items, adjustments, and losses under subparagraph (1)

8 49 of both spouses.  
8 50 Sec. \_\_\_\_\_. Section 422.7, subsection 21, Code  
9 1 Supplement 2003, is amended by striking the  
9 2 subsection.  
9 3 Sec. \_\_\_\_\_. Section 422.8, subsection 2, Code  
9 4 Supplement 2003, is amended to read as follows:  
9 5 2. ~~a.~~ Nonresident's net income allocated to Iowa  
9 6 is the net income, or portion of net income, which is  
9 7 derived from a business, trade, profession, or  
9 8 occupation carried on within this state or income from  
9 9 any property, trust, estate, or other source within  
9 10 Iowa. However, income derived from a business, trade,  
9 11 profession, or occupation carried on within this state  
9 12 and income from any property, trust, estate, or other  
9 13 source within Iowa shall not include distributions  
9 14 from pensions, including defined benefit or defined  
9 15 contribution plans, annuities, individual retirement  
9 16 accounts, and deferred compensation plans or any  
9 17 earnings attributable thereto so long as the  
9 18 distribution is directly related to an individual's  
9 19 documented retirement and received while the  
9 20 individual is a nonresident of this state. If a  
9 21 business, trade, profession, or occupation is carried  
9 22 on partly within and partly without the state, only  
9 23 the portion of the net income which is fairly and  
9 24 equitably attributable to that part of the business,  
9 25 trade, profession, or occupation carried on within the  
9 26 state is allocated to Iowa for purposes of section  
9 27 422.5, subsection 1, paragraph "j", and section 422.13  
9 28 and income from any property, trust, estate, or other  
9 29 source partly within and partly without the state is  
9 30 allocated to Iowa in the same manner, except that  
9 31 annuities, interest on bank deposits and interest=  
9 32 bearing obligations, and dividends are allocated to  
9 33 Iowa only to the extent to which they are derived from  
9 34 a business, trade, profession, or occupation carried  
9 35 on within the state.  
9 36 ~~b. A resident's income allocable to Iowa is the~~  
9 37 ~~income determined under section 422.7 reduced by items~~  
9 38 ~~of income and expenses from an S corporation that~~  
9 39 ~~carries on business within and without the state when~~  
9 40 ~~those items of income and expenses pass directly to~~  
9 41 ~~the shareholders under provisions of the Internal~~  
9 42 ~~Revenue Code. These items of income and expenses are~~  
9 43 ~~increased by the greater of the following:~~  
9 44 ~~(1) The net income or loss of the corporation~~  
9 45 ~~which is fairly and equitably attributable to this~~  
9 46 ~~state under section 422.33, subsections 2 and 3.~~  
9 47 ~~(2) Any cash or the value of property~~  
9 48 ~~distributions which are made only to the extent that~~  
9 49 ~~they are paid from income upon which Iowa income tax~~  
9 50 ~~has not been paid, as determined under rules of the~~  
10 1 ~~director, reduced by the amount of any of these~~  
10 2 ~~distributions that are made to enable the shareholder~~  
10 3 ~~to pay federal income tax on items of income, loss,~~  
10 4 ~~and expenses from the corporation.~~  
10 5 Sec. \_\_\_\_\_. Section 422.8, subsection 6, Code  
10 6 Supplement 2003, is amended by striking the  
10 7 subsection.  
10 8 Sec. \_\_\_\_\_. Section 422.37, Code 2003, is amended by  
10 9 striking the section and inserting in lieu thereof the  
10 10 following:  
10 11 422.37 COMBINED RETURNS.  
10 12 An affiliated group of corporations shall, under  
10 13 rules prescribed by the director, file a combined  
10 14 return showing the net income of all corporations  
10 15 engaged in a unitary business, subject to the  
10 16 following:  
10 17 1. The affiliated group filing under this section  
10 18 shall meet the requirements to file a consolidated  
10 19 return for federal income tax purposes under the  
10 20 Internal Revenue Code for the same taxable year.  
10 21 2. All members of the affiliated group shall join  
10 22 in the filing of an Iowa combined return to the extent  
10 23 they are engaged in a unitary business.  
10 24 3. Members of the affiliated group exempt from  
10 25 taxation by section 422.34 shall not be included in a  
10 26 combined return.  
10 27 4. All members of the affiliated group shall use  
10 28 the statutory method of allocation and apportionment  
10 29 unless the director has granted permission to all

10 30 members to use an alternative method of allocation and  
10 31 apportionment.

10 32 5. The computation of federal taxable income  
10 33 before the net operating loss deduction on a combined  
10 34 return for members of an affiliated group shall be  
10 35 made in the same manner and under the same procedures,  
10 36 including all intercompany adjustments and  
10 37 eliminations, as are required for consolidating the  
10 38 incomes of affiliated corporations for the taxable  
10 39 year for federal income tax purposes in accordance  
10 40 with the Internal Revenue Code.

10 41 6. The combined income approach reflects the  
10 42 federal taxable income of the unitary members of the  
10 43 Iowa affiliated group as a single economic unit, with  
10 44 the application of the adjustments in section 422.35,  
10 45 and the affiliated group shall only file one income  
10 46 tax return. Any nonunitary members of the federal  
10 47 affiliated group subject to tax imposed by section  
10 48 422.33 must each file its own separate corporate  
10 49 income tax return. The net income of an affiliated  
10 50 group is determined by applying the apportionment  
11 1 formula against the combined income of the affiliated  
11 2 group.

11 3 7. Only the sales of those corporations in the  
11 4 affiliated group subject to the tax imposed by section  
11 5 422.33 are included in the numerator of the  
11 6 apportionment formula.

11 7 8. Only those corporations in the affiliated group  
11 8 subject to the tax imposed by section 422.33 are  
11 9 jointly and severally liable for the Iowa tax of the  
11 10 combined group.

11 11 Sec. \_\_\_\_\_. EFFECTIVE AND APPLICABILITY DATES. This  
11 12 division of this Act, being deemed of immediate  
11 13 importance, takes effect upon enactment and applies as  
11 14 follows:

11 15 1. The section of this division amending section  
11 16 422.5, subsection 1, paragraphs "a" through "i", apply  
11 17 to tax years beginning on or after January 1, 2005.

11 18 2. The section of this division amending section  
11 19 422.5, subsection 1, paragraphs "j" and "k", and  
11 20 section 422.8 apply retroactively to January 1, 2004,  
11 21 for tax years beginning on or after that date.

11 22 3. The section of this division amending section  
11 23 422.7 applies retroactively to January 1, 2004, for  
11 24 tax years beginning on or after that date.

11 25 4. The section of this division amending section  
11 26 422.37 applies retroactively to January 1, 2004, for  
11 27 tax years beginning on or after that date.

11 28 DIVISION \_\_\_\_  
11 29 SALES AND USE TAXES

11 30 Sec. \_\_\_\_\_. Section 423.3, subsection 27, as enacted  
11 31 by 2003 Iowa Acts, First Extraordinary Session,  
11 32 chapter 2, section 96, is amended to read as follows:

11 33 27. The sales price of tangible personal property  
11 34 sold, or of services furnished, to a nonprofit  
11 35 hospital licensed pursuant to chapter 135B which is  
11 36 located in a rural county to be used in the operation  
11 37 of the hospital. For purposes of this exemption,  
11 38 "rural county" is a county with a population of not  
11 39 more than fifty thousand according to the latest  
11 40 federal census.

11 41 Sec. \_\_\_\_\_. Section 423.3, subsection 45, as enacted  
11 42 by 2003 Iowa Acts, First Extraordinary Session,  
11 43 chapter 2, section 96, is amended by striking the  
11 44 subsection and inserting in lieu thereof the  
11 45 following:

11 46 45. The sales price from the sales by a trade shop  
11 47 to a printer of lithographic=offset plates,  
11 48 photoengraved plates, engravings, negatives, color  
11 49 separations, typesetting, the end products of image  
11 50 modulation, or any base material used as a carrier for  
12 1 light-sensitive emulsions to be used by the printer to  
12 2 complete a finished product for sale at retail. For  
12 3 purposes of this subsection, "trade shop" means a  
12 4 business which is not normally engaged in printing and  
12 5 which sells supplies to printers, including but not  
12 6 limited to, those supplies enumerated in this  
12 7 subsection.

12 8 Sec. \_\_\_\_\_. Section 423.3, subsections 51, 66, 67,  
12 9 74, 75, 76, and 77, as enacted by 2003 Iowa Acts,  
12 10 First Extraordinary Session, chapter 2, section 96,

12 11 are amended by striking the subsections.  
12 12 Sec. \_\_\_\_\_. Section 423.6, subsections 17 through  
12 13 21, as enacted by 2003 Iowa Acts, First Extraordinary  
12 14 Session, chapter 2, section 99, are amended by  
12 15 striking the subsections.  
12 16 DIVISION \_\_\_\_  
12 17 INSURANCE PREMIUMS TAXES  
12 18 Sec. \_\_\_\_\_. Section 432.1, subsection 1, paragraph  
12 19 a, Code Supplement 2003, is amended to read as  
12 20 follows:  
12 21 a. ~~The applicable percent, as provided in~~  
12 22 ~~subsection 2, Two percent~~ of the gross amount of  
12 23 premiums received during the preceding calendar year  
12 24 by every life insurance company or association, not  
12 25 including fraternal beneficiary associations, or the  
12 26 gross payments or deposits collected from holders of  
12 27 fraternal beneficiary association certificates, on  
12 28 contracts of insurance covering risks resident in this  
12 29 state during the preceding year, including contracts  
12 30 for group insurance and annuities and without  
12 31 including or deducting any amounts received or paid  
12 32 for reinsurance.  
12 33 Sec. \_\_\_\_\_. Section 432.1, subsection 2, Code  
12 34 Supplement 2003, is amended by striking the  
12 35 subsection.  
12 36 Sec. \_\_\_\_\_. Section 432.1, subsection 3, Code  
12 37 Supplement 2003, is amended to read as follows:  
12 38 3. ~~The applicable percent, as provided in~~  
12 39 ~~subsection 4, Two percent~~ of the gross amount of  
12 40 premiums, assessments, and fees received during the  
12 41 preceding calendar year by every company or  
12 42 association other than life on contracts of insurance  
12 43 other than life for business done in this state,  
12 44 including all insurance upon property situated in this  
12 45 state, after deducting the amounts returned upon  
12 46 canceled policies, certificates and rejected  
12 47 applications but not including the gross premiums,  
12 48 assessments, and fees in connection with ocean marine  
12 49 insurance authorized in section 515.48.  
12 50 Sec. \_\_\_\_\_. Section 432.1, subsection 4, Code  
13 1 Supplement 2003, is amended by striking the  
13 2 subsection.  
13 3 Sec. \_\_\_\_\_. Section 432.1, subsection 6, Code  
13 4 Supplement 2003, is amended by striking the subsection  
13 5 and inserting in lieu thereof the following:  
13 6 6. Each insurance company and association  
13 7 transacting business in this state whose Iowa premium  
13 8 tax liability for the preceding calendar year was one  
13 9 thousand dollars or more shall remit on or before June  
13 10 1, on a prepayment basis, an amount equal to one-half  
13 11 of the premium tax liability for the preceding  
13 12 calendar year.  
13 13 Sec. \_\_\_\_\_. Section 432.2, Code Supplement 2003, is  
13 14 amended to read as follows:  
13 15 432.2 MUTUAL SERVICE CORPORATIONS.  
13 16 Notwithstanding section 432.1, a hospital service  
13 17 corporation, medical service corporation,  
13 18 pharmaceutical service corporation, optometric service  
13 19 corporation, and any other service corporation  
13 20 operating under chapter 514 shall pay as taxes to the  
13 21 director of revenue an amount equal to ~~the applicable~~  
13 22 ~~percent, as provided in section 432.1, subsection 2,~~  
13 23 ~~two percent~~ of the gross amount of payments received  
13 24 during the preceding calendar year for subscriber  
13 25 contracts covering residents in this state after  
13 26 deducting the amounts returned to subscribers upon  
13 27 canceled subscriber contracts and rejected  
13 28 applications. Section 432.1, subsections 5 and 6,  
13 29 apply to the tax imposed by this section.  
13 30 Sec. \_\_\_\_\_. Section 518.18, subsection 1, Code  
13 31 Supplement 2003, is amended to read as follows:  
13 32 1. ~~The applicable Two percent~~ of the gross amount  
13 33 of premiums received during the preceding calendar  
13 34 year, after deducting the amount returned upon the  
13 35 canceled policies, certificates, and rejected  
13 36 applications; and after deducting premiums paid for  
13 37 windstorm or hail reinsurance on properties  
13 38 specifically reinsured. However, the reinsurer of  
13 39 such windstorm or hail risks shall pay ~~the applicable~~  
13 40 ~~a two percent of tax on~~ the gross amount of  
13 41 reinsurance premiums received upon such risks after



13 42 deducting the amounts returned upon canceled policies,  
13 43 certificates, and rejected applications. ~~For purposes~~  
~~13 44 of this section, "applicable percent" means the same~~  
~~13 45 as specified in section 432.1, subsection 4.~~  
13 46 Sec. \_\_\_\_\_. Section 518.18, subsections 2 and 3,  
13 47 Code Supplement 2003, are amended by striking the  
13 48 subsections.  
13 49 Sec. \_\_\_\_\_. Section 518A.35, subsection 1, Code  
13 50 Supplement 2003, is amended to read as follows:  
14 1 ~~1-~~ A state mutual insurance association doing  
14 2 business under this chapter shall on or before the  
14 3 first day of March, each year, pay to the director of  
14 4 revenue, or a depository designated by the director, a  
14 5 sum equivalent to ~~the applicable two~~ percent of the  
14 6 gross receipts from premiums and fees for business  
14 7 done within the state, including all insurance upon  
14 8 property situated in the state without including or  
14 9 deducting any amounts received or paid for  
14 10 reinsurance. However, a company reinsuring windstorm  
14 11 or hail risks written by county mutual insurance  
14 12 associations is required to pay ~~the applicable a two~~  
14 13 percent tax on the gross amount of reinsurance  
14 14 premiums received upon such risks, but after deducting  
14 15 the amount returned upon canceled policies and  
14 16 rejected applications covering property situated  
14 17 within the state, and dividends returned to  
14 18 policyholders on property situated within the state.  
14 19 ~~For purposes of this section, "applicable percent"~~  
~~14 20 means the same as specified in section 432.1,~~  
~~14 21 subsection 4.~~  
14 22 Sec. \_\_\_\_\_. Section 518A.35, subsections 2 and 3,  
14 23 Code Supplement 2003, are amended by striking the  
14 24 subsections.  
14 25 DIVISION \_\_\_\_  
14 26 USE TAX REVENUE TRANSFER  
14 27 Sec. \_\_\_\_\_. Notwithstanding the provisions of  
14 28 section 423.43, as enacted by 2003 Iowa Acts, First  
14 29 Extraordinary Session, chapter 2, section 136, from  
14 30 the use tax revenues to be credited to the road use  
14 31 tax fund pursuant to section 423.43, subsection 1, as  
14 32 enacted by 2003 Iowa Acts, First Extraordinary  
14 33 Session, chapter 2, section 136, the first seven  
14 34 million dollars collected during the fiscal year  
14 35 beginning July 1, 2004, and ending June 30, 2005,  
14 36 shall be credited to the general fund of the state.  
14 37 DIVISION \_\_\_\_  
14 38 REPEAL OF NEW TAX INCENTIVE CREDIT AND REFUND  
14 39 Sec. \_\_\_\_\_. 2004 Iowa Acts, Senate File 2290, is  
14 40 repealed.  
14 41 Sec. \_\_\_\_\_. EFFECTIVE DATE. This division of this  
14 42 Act, being deemed of immediate importance, takes  
14 43 effect upon enactment.>>  
14 44 #9. By renumbering as necessary.  
14 45  
14 46  
14 47  
14 48 FALLON of Polk  
14 49 SF 2298.546 80  
14 50 rn/pj